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Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 CIAE-00 DODE-00 NSAE-00 NSCE-00 SSO-00

USIE-00 INRE-00 PM-07 INR-10 L-03 NSC-10 PA-04 RSC-01

PRS-01 SPC-03 SS-20 CAB-09 COME-00 EB-11 FAA-00 IO-14

DOTE-00 SAJ-01 OMB-01 TRSE-00 DRC-01 ACDA-19 /141 W
---------- 114467
O P 161043Z JAN 74
FM AMEMBASSY BONN
TO SECSTATE WASHDC IMMEDIATE 9742
INFO USMISSION BERLIN PRIORITY
AMEMBASSY LONDON
AMEMBASSY PARIS

C O N F I D E N T I A L SECTION 01 OF 02 BONN 00745

E.O. 11652: GDS
TAGS: ETRN, GW, WB, UK, US, FR
SUBJECT: BRITISH DEMARCHE ON PANAM RESCHEDULING AND IN-
CREASING IGS FREQUENCIES

REF: (A) BERLIN 49; (B) STATE 3818

SUMMARY: BRITISH MINISTER MADE DEMARCHE TO US JANUARY 15 ON RECENT PANAM MOVES IN IGS AND THEIR POSSIBLE CONSEQUENCES, PURSUANT TO CAAS DISCUSSIONS IN BERLIN LAST WEEK. BRITISH EMBASSY WASHINGTON MAY MAKE CORRESPONDING APPROACH TO DEPT. ACTION REQUESTED: DEPARTMENT'S INSTRUCTIONS ON QUESTIONS RAISED BELOW IF POSSIBLE BY JANUARY 17. END SUMMARY

1. U.K.MINISTER HIBBERT, ACCOMPANIED BY CAA AND BONN GROUP REP CALLED ON MINISTER JANUARY 15 TO DISCUSS RECENT PANAM RESCHEDULING AND INCREASED FREQUENCIES AND THEIR POSSIBLE CONSEQUENCES FROM BRITISH VIEWPOINT. HIBBERT ASSERTED THAT PANAM, ALTHOUGH ITS PROPOSED FREQUENCY INCREASES INVOLVING ONE ADDITIONAL TURN-AROUND
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SERVICE EACH ON BERLIN-HANNOVER AND BERLIN-DUESSELDORF

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ROUTES (BONN 201) HAVE NOT RPT NOT RECEIVED ALLIED APPROVAL, HAD NEVERTHELESS INSTITUTED THESE SERVICES ON A DE FACTO BASIS UNDER THE GUISE OF EXTRA SECTIONS TO EXISTING ROUTES. HIBBERT, SPEAKING ON INSTRUCTIONS HE HAD RECEIVED FROM LONDON PURSUANT TO UK-US CAA DISCUSSIONS IN BERLIN (REF A), EXPRESSED STRONG BRITISH DISSATISFACTION AND CONCERN WITH THESE PANAM MOVES. HIBBERT SAID THAT BEA WAS ANXIOUS TO INSTITUTE "EXTRA SECTIONS" OF ITS OWN ON BERLIN-COLOGNE AND BERLIN-MUNICH ROUTES IF ADDITIONAL PANAM SERVICES WERE ALLOWED TO CONTINUE. HIBBERT NOTED THAT HIS AUTHORITIES IN LONDON STRONGLY PREFERRED DISAPPROVAL BY CAAS AND CANCELLATION OF BOTH PANAM AND BEA ADDITIONAL SERVICES.

2. US REPS NOTED THAT IN VIEW BEA'S INCREASED PERCENTAGE OF IGS TRAFFIC SINCE WINTER SCHEDULES INSTITUTED LAST NOVEMBER, PANAM'S DESIRE TO RECAPTURE PART OF THAT MARKET SHARE WAS UNDERSTANDABLE. US REPS ALSO NOTED THAT PANAM'S CURRENT SHARE OF THE IGS (59.3 PERCENT IN DECEMBER) WAS WELL BELOW ROUGH TWO TO ONE ADVANTAGE IT HAD TRADITIONALLY ENJOYED. HIBBERT SAID THIS MIGHT BE THE CASE IN THE SHORT RUN, BUT THAT THEIR MAIN POINT WAS THAT UNBRIDLED COMPETITION WAS HARMFUL TO BOTH AIRLINES. OVER A LONGER PERIOD, HIS AUTHORITIES BELIEVED RATIONALIZATION (READ AGREED REDUCTIONS OF SERVICE) WAS ONLY SENSIBLE WAY OF COPING WITH DECLINING MARKET AVAILABLE TO IGS CARRIERS. HE SAID IF BEA AND PANAM WERE PERMITTED THE EXTRA SERVICES BOTH HAVE APPLIED FOR, HIS AUTHORITIES BELIEVED BOTH WOULD IN THE END LOSE REVENUES AS A RESULT. IF, IN SUCH A SITUATION, BEA LOSSES CONTINUED TO MOUNT, HIBBERT SAID IT WAS POSSIBLE THAT IT WOULD WITHDRAW ENTIRELY FROM THE IGS.

3. HIBBERT SUMMARIZED BRITISH POSITION AS FOLLOWS:

(A) BRITISH WOULD LIKE TO SEE ALLIED "AUTHORITY" OVER IGS CARRIERS RESTORED, TO THE EXTENT SLIPPAGE OF SUCH CONTROL HAS BEEN DEMONSTRATED BY PANAM'S RECENT INTRODUCTION OF "NON-AUTHORIZED IGS SERVICES";

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(B) BRITISH BELIEVE PROPER EXERCISE OF SUCH AUTHORITY WOULD INVOLVE SUCH MEASURES AS MIGHT BE NECESSARY TO ENSURE CESSATION OF SUCH UNAUTHORIZED "EXTRA SECTIONS" (IN A PRACTICAL SENSE OF COURSE ALLIES CAN ALWAYS DO THIS BY DIRECTING BASC NOT TO APPROVE FLIGHT PLANS);

(C) BRITISH WERE PREPARED TO GET INTO ALL-OUT COMPETITION WITH PANAM, BUT THOUGHT THIS WOULD BE A

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HARMFUL, IRRATIONAL COURSE. THEY MUCH PREFERRED TO GO
THE ROUTE OF AGREED "RATIONALIZATION".

4. COMMENT: BRITISH ARE CLEARLY UPSET OVER PANAM'S
PROPOSALS FOR RESCHEDULING AND FREQUENCY INCREASES, AND
HAVE OBVIOUSLY CHOSEN THIS OCCASION TO RENEW THEIR
GENERAL PITCH FOR RATIONALIZATION AND OTHER MEASURES

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USIE-00 INRE-00 PM-07 INR-10 L-03 NSC-10 PA-04 RSC-01

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WHICH WOULD CUT THEIR LOSSES ON THE IGS PRIMARILY BY
REDUCING THEIR DIRECT COMPETITION WITH PANAM. THEY ARE
ENJOYING THE RELATIVE IMPROVEMENT OF BEA'S COMPETITIVE
POSITION IN RECENT MONTHS AND WOULD LIKE TO CONSOLIDATE
THIS POSITION IN PART BY REDUCING PANAM'S POSSIBILITIES
TO FIGHT BACK. THEY ARE TALKING A BIGGER GAME ON OPEN
COMPETITION THAN THEY CAN PROBABLY PLAY, AND THEY ARE
ALSO HOLDING OUT THE THREAT OF WITHDRAWAL FROM THE IGS
TO KEEP US AND PANAM IN LINE. THERE IS THUS FROM A US
POINT OF VIEW A BALANCE OF INTERESTS INVOLVED HERE. WE
PREFER THAT THE BRITISH STAY IN THE IGS FOR POLITICAL REA-
SONS, BUT WE ALSO HAVE AN INTEREST IN SUSTAINING PANAM'S

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POSITION. WE CERTAINLY HAVE NO INTEREST IN LETTING PANAM BE PENALIZED FOR ITS GREATER EFFICIENCY AS COMPARED WITH BEA. MOREOVER, WE ARE INCLINED TO DOUBT THAT ANY-THING MORE SUBSTANTIAL THAN INSTITUTION OF TWO ADDITIONAL BRITISH IGS SERVICES WOULD RESULT IF WE AUTHORIZE PANAM TO GO AHEAD WITH ITS RESCHEDULING PROPOSALS. IN THESE CIRCUMSTANCES WE ARE INCLINED TO BELIEVE THE BEST AP-PROACH WOULD BE TO RESPOND TO THE BRITISH THAT WE FAVOR RATIONALIZATION AS A GENERAL GUIDELINE BUT FEEL THAT
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UNTIL WE HAVE WORKED OUT MORE EXACTLY WHAT IT MEANS, A MEASURE OF COMPETITION IS INEVITABLE AND HEALTHY. FYI: SUMMER SCHEDULES DUE TO GO INTO EFFECT IN TEN WEEKS, AND PLANNING FOR THEM IS ALREADY UNDERWAY. THUS, SUCH GUIDELINES COULD BE EXPECTED TO HAVE PRACTICAL APPLICA-TION RELATIVELY SOON. IN SUM, WE STILL SUPPORT LETTING BOTH AIRLINES HAVE THE ADDITIONAL SERVICES IN THIS CASE. BEFORE TAKING THIS LINE, HOWEVER, DEPARTMENT MAY WISH TO MAKE SURE THAT PANAM HEADQUARTERS INDEED FAVORS ES-TABLISHMENT OF ADDITIONAL SERVICES BY BOTH AIRLINES TO ESTABLISHMENT BY NEITHER. ACTION REQUESTED: DEPART-MENT'S INSTRUCTIONS ON APPROVAL OF PANAM RESCHEDULING AND FREQUENCY INCREASES (AS WELL AS BEA'S), IF POSSI-BLE, BY JANUARY 17.
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